Application number: 09/628098 **Art Unit:** 3624
Applicant: Khai Hee Kwan **Examiner:** Thu Thao Havan.
Title:. Computer System and Method for online display, negotiation and management of loan syndication over computer network.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

TO: Commissioner for Patents
Virginia 22313-1450

Sir/Madam:

Status of Claims as per Action Letter mailed April 24 2005

1. As per above action letter, Claims 1-20 are rejected under 35 USC 103(a) as being unpatentable over **Herschkorn (US 6691094)**. Claims 21-25 rejected under 35 USC 102(e) as being unpatentable over Herschkorn. The Applicant noted that Claim 7,10,11,12 have already been cancelled previously but was nevertheless included for examination.

Amendments to Claims as per this response.

We respectfully ask the examiner to enter the necessary amendments as detailed in Amendment A, (marked version). Our current amendment is to reflect two important elements found in independent Claim 21 (" aggregating the commitments") and independent Claim 1 where we included the element of "negotiating the terms of loan"). Our rebuttal below will show that neither of them are found in the prior art.

Summary of our response.

In Herschkorn (US 6691094), this invention deals mainly in listing and trading of a loan instrument over a network via the matching of bids and offers (Col 1 line 5-10) . The mentioned of "syndication" in the said prior art are found in Col 1 line 15 and we quoted " Large corporations and trusts arrange bank loans in facilities provided by a group of banks and financial institutions, otherwise known as a syndicate " and in Col 1 line 37 "A revolver provides a commitment from the syndicate for the borrower to draw upon a set amount of money until the maturity date " and in Col 2 Line 31 "An administrative agent provides the processing of paperwork and movement of funds associated with a bank loan on behalf of the syndicate and the borrower." and in Col 9, line 52 " In addition, even if the bank loan was allocated in even million dollar increments during syndication, prepayments and scheduled amortization payments may result in borrowers owing odd amounts to members of the bank group."

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In Elan Pharmaceuticals, Inc and Athena Neurosciences, Inc Vs Mayo Foundation for Medical Education and Research, (United States Court of Appeals for the Federal Circuit Case 00-1467, Decided October 2, 2003), the learned judge said " The disclosure in an assertedly anticipating reference must be adequate to enable possession of the desired subject matter. It is insufficient to name or describe the desired subject matter, if it cannot be produced without undue experimentation." It is clear from the above that the word syndicate is referencing a group of banks to perform syndication which is well known in the art and syndicating or syndication refers to the process of getting the banks collectively to lend. However, there is nothing in the entire prior art that teaches how the syndication is done as per our claimed invention. We submit that this teaching in prior art by itself could not produced our claimed invention without undue experimentation and as such does not anticipate our claimed invention.

Further, merely knowing a collection of banks to arrange a loan known as 'syndication' does not by itself place the knowledge whereby one skilled in the art can practice as per our claims. While it is admitted there are many ways to syndicate and syndicating is old in the art including other arts such as lottery syndication, crime syndicate etc, the Federal Circuit has long held that the mere availability of the technology and the incentive to apply it do not make the result obvious. In re Deuel, 51 F.3d 1552, 1559 (1995). "the mere fact that a device or process utilizes a known scientific principle does not alone make that device or process obvious." Uniroyal, Inc. v. Rudkin-Wiley Corp., 837 F.2d 1044, 1053, 5 U.S.P.Q.2D (BNA) 1434, 1440 (Fed. Cir. 1988). See also Lindemann Maschinenfabrik GmbH v. American Hoist & Derrick Co., 730 F.2d 1452, 1462, 221 U.S.P.Q. (BNA) 481, 489 (Fed. Cir.1984). In this case, the known business principle is "syndication". However, there is nothing in Herschkorn to suggest a loan syndication system nor methods such as negotiation, aggregating commitments or with feedback amongst syndicating members within a network system as claimed here. But more importantly, Herschkorn teaches a loan trading system and NOT syndication.

Further, there is no motivation evidenced by the examiner to modify a loan trading system in Herschkorn to one of syndication. "unless the prior art suggested the desirability of [such a] modification" or replacement. In re Gordon, 733 F.2d 900, 902 , 221 U.S.P.Q. (BNA) 1125, 1127 (Fed. Cir. 1984). This is the most important requirement for an obviousness determination even where only one prior art is used, there must be a motivation raised. See B.F. Goodrich v. Aircraft Braking Sys. Corp., 72 F.3d 1577, 1582, 37 USPQ2d 1314, 1318 (Fed. Cir. 1996). Why would Herschkorn modified his invention to syndicating a loan when his primary goal is to trade loan instruments ? If a loan is already executed or formed then there is no need for any syndication.

In ending, there are clearly patentable subject matters found in our claimed invention. If the examiner agrees but does not feel the present claims are technically adequate,

applicant respectfully request the examiner writes acceptable claims in pursuant to MPEP 707.07(j).

As per Claim 21

The Applicant had amended this claim to better reflect the claimed invention and to better expedited the prosecution of this application. Our reason for traversing the examiner's assertion has already been mentioned above and in general Herschkorn fails to show our elements necessarily for one skilled in the art to enable a process to syndicate a loan syndication without undue experimentation.

The current amended claim is as follows which we submit will overcome Herschkorn and any other prior arts.

21. An apparatus for facilitating a loan, comprising:

a programmed computer, further comprising:

a memory having at least one region for storing executable program code; and

a processor for executing the program code stored in the memory, wherein the program code, further comprising:

code to receive a loan origination request;

code to accept a plurality of potential lenders' commitments.

code to aggregate the said commitments; and

whereby each commitment relates to different portion of said loan.

The amendment version above now includes aggregation of commitments. The process of aggregating is also not obvious as it provides a risk/return matrix to the originator by selecting the best commitments based on their bids. (See also "In short LMS 34 must be able to finalise all the final submitted bids by tallying them to make up the total amount in the order of best price for the final borrower and submits this record to the loan originator which then must agree to this arrangement." from our specification at page 27)

Claim 22.

The rejection of this claim is traversed.

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This claim includes an auction routine. While auction routine is an old element however if read together with Claim 21 then it would not be obvious given there is no prior art that fairly teaches the process of aggregate the said commitments with multiple lenders over the Internet using an auction routine. We therefore submit to the examiner to allow this claim.

Claim 23.

The rejection of this claim is traversed.

This claim includes a feedback routine which allows the participants to provide feedback to the syndicator and viewed by others. Again it is not known in the art of loan trading to include a feedback routine. Feedback is different in form to negotiating as mentioned above in the sense this is public information rather than privately between the invited parties. Normally information gather during the feedback is used to fine tune the terms of agreement and to create interest but they are not binding as in Fig 3 where the negotiation process between 2 parties actually result in online amendments to the agreement viewable by both. Feedback is also available during the management of the loan as seen in Fig 10 of our specification. We therefore submit to the examiner to allow this claim.

Claim 24.

The rejection of this claim is traversed.

This claim includes implementing loan management process which is applicable only after the loan facility has been created. As this claim depends on Claim 21 and reading as a whole, we submit that it is not known to do so.

Claim 25.

The rejection of this claim is traversed.

This claim is merely of a different class implementing Claim 1. Therefore, the substance of our rebuttal will mirror that of Claim 1 below.

As per Claim 1

Claim 1 (independent claim) has been amended to better reflect our negotiating element. The amended is shown as below.

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Title:. Computer System and Method for online display, negotiation and management of loan syndication over computer network.

A method operative at a server for negotiating and managing loan facility over a network, comprising the steps of:

receiving a request to originate a loan facility ;

negotiating over a network from which a loan facility might be agreed with potential lenders; and

adapting at least negotiated terms of loan to be incorporated in said loan facility.

This rejection is respectfully traversed.

In particular, the element "negotiating over a network from which a loan facility might be agreed with potential lenders" is not anticipated and is not obvious to a system to trade loan. It is well known in the art of loan trading that one cannot negotiate the terms which are already ratified in a loan contract between the borrowers and lenders. This is in contrast to our element where the terms are being negotiated to be incorporated into the term loan facility if successful. As we mentioned while loan syndication is an old art, it is not known to negotiate the terms as using Boxes 210 and 250 in our Fig 3 of our specification. For example, the user who is not happy with certain terms in Box 250 will negotiate them online and be revised via Box 210. If this negotiated term is accepted by syndicator then term will be revised and entered by syndicator and viewable online in Box 250 to user. This 'process' is repeated until both parties are in agreement whereby the user/lender will finally click to submit in agreement Box 240. While it is known in the art to incorporate a licensing agreement such as found in typical software (shrink-wrap) there is nothing to suggest that the user is encouraged to negotiate the terms of the license online. Also while the art of negotiation is well known, it is not well-known to do so over a network simultaneously revising the terms as agreed. Obviously the advantage here it cuts down on 'misunderstanding' later.

Obviously there is no requirement that the user has to submit in agreement which is why our element "from which a loan facility might be agreed with potential lenders" was included in the claim to contrast Herschkorn where once a bid for a loan is placed, the process is then match automatically (Col 10 Line 59-67). This means in Herschkorn, the process is controlled by a matching routine while in our claimed invention, it is manually controlled by the user. It is only logically where even if one is agreeable to all the terms of the loan facility, one would like to have 'cooling period'.

The examiner showed no inquiry as to how a loan trading system could now be seen as a loan syndicating system. In re Chu, 66 F.3d 292, 298, 36 USPQ2d 1089, 1094 (Fed. Cir. 1995) (stating that even when changes from the prior art are "minor" or "simple," an

inquiry must be made as to whether "'the prior art provides any teaching or suggestion to one of ordinary skill in the art to make the changes'" (quoting Northern Telecom, Inc. v. Datapoint Corp., 908 F.2d 931, 935, 15 USPQ2d 1321, 1324 (Fed. Cir. 1990))). The examiner provided no motivation for this 103(a) rejection and also neglected to include where Herschkorn meet our " whereby said potential lenders can post questions and loan syndicator can response to these questions visible to all over a network " element. This element is now rewritten as "feedback routine" and has been shifted to Claim 3.

In contrast, loan trading involves the trading of part of an existing loan between one party to another by a process of assignment or novation. There is no negotiation of the terms in the executed loan and the assignment can only be to ONE party without any aggregation. The original obligation of the final borrower to the loan agreement stands and is not affected by a deed of assignment. (Herschkorn at Col 2 line 24).

Obviousness determination.

A claimed invention is unpatentable due to obviousness if the differences between it and the prior art "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. § 103(a) (2000).

The examiner's unstated view is that the "syndication and managing a loan" is linked to trading of said in Herschkorn would render syndication and managing obvious when trading of loan is known to one skilled in the art. Even if syndication and managing a loan is well known, we respectfully reject such proposition given the explicit 'trading' meaning found in 'Bank Loan Trading' (Col 2 line 20 to 65) as taught by Herschkorn nor are there any teaching to suggest our combined features/elements are found. Merely suggesting that trading could illuminate 'syndication' and 'negotiating the terms' is simply conclusory. No motivation has been evidenced by the examiner to show why trading would also need to negotiate the terms as required for obviousness determination.

Even so basing on a single reference, a motivation must be articulated. See B.F. Goodrich v. Aircraft Braking Sys. Corp., 72 F.3d 1577, 1582, 37 USPQ2d 1314, 1318 (Fed. Cir. 1996) (motivation to modify a single reference). Here there is nothing in Herschkorn to even suggest such modification in particular why to modify a loan trading system to one of syndicating a loan. The examiner offered no evidence suggesting what might have led an ordinary artisan in this field to modify to establish prima facie. Stated simply, knowing trading of loans does not charge one skilled in the art to syndicating of loans without some motivation.

Even if one skilled in the art would be able to consider various ways to create a loan and to diversify risks between lenders simultaneously, that is not sufficient when there is no evidence found above to assume one skilled in the art can reach the unknown 'A method

operative at a server for negotiating and managing loan facility over a network'. See W.L. Gore & Assocs., Inc. v. Garlock, Inc., 721 F.2d 1540, 1553, 220 USPQ 303, 312-13 (Fed.Cir.1983) ("To imbue one of ordinary skill in the art with knowledge of the invention in suit, when no prior art reference or references of record convey or suggest that knowledge, is to fall victim to the insidious effect of a hindsight syndrome wherein that which only the inventor taught is used against its teacher."). Skill in the art does not act as a bridge over gaps in substantive presentation of an obviousness case, but instead supplies the primary guarantee of objectivity in the process. See Ryko Mfg. Co. v. Nu-Star, Inc., 950 F.2d 714, 718, 21 USPQ2d 1053, 1057 (Fed.Cir.1991).

According, for the reasons identified above, Applicant respectfully submits that claims 1 is patentable over Herschkorn.

As per Claim 2

In rejecting this claim, the examiner provided evidence from Col 3 Line 54-65.

We respectfully transverse this rejection.

For the benefit of the examiner, we have reproduced the evidence from COl 3 Line 54-65 as quoted "There currently are approximately thirty (30) electronic trading systems engaged in the on-line sale and/or trading of one, two or all of treasury, municipal and corporate bonds. These systems can be broken down into dealer systems that allow users to trade only with dealers, but not with each other, cross-matching systems that allow users to trade with each other anonymously, primary market bidding systems that allow users to bid directly on new issues, and a direct issuance system that allows investors to buy securities directly from the issuer. Limited information is available on most of these systems as access is limited to authorized users. "

The evidence above shows trading system that are anonymous for buyer and seller which is common in the art say in share trading. However, our claim is one where the lenders and final borrower at their discretion may be anonymous. In particular, the final borrower's identity would be anonymous during the negotiation as found in claim 1. However the same cannot be said of a loan being traded as the buyer has to know the borrower's credit status to determine the price or demand of the loan. For example a US Govt Bond (ie US Govt as the final borrower) would be priced differently to say a Australian Govt Bond given the different rating and demand. By being anonymous, the buyer will not be able to assess the price.

Technically, it is not possible to execute an assignment agreement where the final borrower is anonymous as the executed loan agreement must surely has its name on it. (

Col 2, lines 27 to 33). Also see Col 2 line 58 to line 62 where a brokered deal is done, "Note that a dealer is not required to conduct a trade in such a manner to avoid the buyer and seller learning each others' identity. Therefore, a buyer and seller may conduct a single trade to effect the assignment and split the fee amongst themselves." which provides clear evidence so far as assignment is concerned, there is no motivation to be anonymous.

Further, the examiner provided no motivation to show our feature. For obviousness determination a motivation must be articulated even if it is from a single prior art. We respectfully ask the examiner to allow this claim as it is patentable over Herschkorn in light of what is known in the art.

Claim 3.

We have amended this claim to include the 'feedback routine' which was not examined by the examiner from Claim 1. As loan trading only deals with matching price (bid/offer), there is no reason why one skilled in the art would be motivated to include a feedback routine. In short before one can negotiate, there must be feedback first else one is negotiating in a vacuum without any understanding of what the market is looking for. As mentioned, feedback is generally posted by all users and therefore merely to stir interest in the offering and the postings may be meaningful or sales buff with the common characteristics being viewable by all users in contrast to negotiations where it is only seen by the invited parties. Note also in our specification, the feedback routine is also used for pre-loan syndication in "sounding" and post syndication to receive inputs from lenders. Also antecedent originally found in Claim 13 at date of filing.

Claim 4.

This claim has also been amended to reflect "receiving acceptance by final borrower and creating loan facility". As mentioned, a loan facility could not be formed unless the final borrower has agreed which distinguishes this from loan trading where the final borrower has already agreed and the loan agreement executed. A loan trading system could not create a NEW loan facility so the above elements are not meet.

As such the applicant respectfully submits that this claim is patentable over Herschkorn in view of what is known in the art.

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Claim 5.

The examiner provided claim 1 and fig 9 from Herschkorn. We disagree that this shows obviousness to our claimed invention in view of Claim 1. While Herschkorn's invention incorporates auction routine (fig 9) and auction routine is well known in the art, this is for the trading of loans and not in the creation of loan facility. A 103(a) rejection cannot be based simply by identifying the elements found rather a motivation must be articulated. The question of obviousness then becomes why would one skilled in the art in view of a loan trading system would modify to include originating a loan ? The examiner provided no motivation and hence has prima facie failed to show this element. Further "[t]he consistent criterion for determination of obviousness is whether the prior art would have suggested to one of ordinary skill in the art that this process should be carried out and would have a reasonable likelihood of success, viewed in the light of the prior art." In re Dow Chem., 837 F.2d 469, 473, 5 USPQ2d 1529, 1531 (Fed. Cir. 1988). There is also no suggestion by the examiner to show that auction routine is well known in the loan origination process nor is it known in the art.

As such the applicant respectfully submits that this claim is patentable over Herschkorn in view of what is known in the art.

Claim 6.

We have amended this claim to show that lenders could by themselves post their lending requirements for syndication purposes. This is to say instead of waiting for a syndication to be opened and be invited to syndicate loan facility, the lenders provide information informing potential syndicators, their desire lending requirements. For example, lender A could insist that a guarantee by provided while lender B indicates the minimum return is LIBOR + 100 bps or lender C only considers entities with Rating of A+ and above. Obviously this process is not found in Herschkorn as in a loan trading environment, lenders could only pick loans that are being offered for sale by assignment. Lenders may also post the type of loans which they want to purchase but this is different to posting requirements to be part of a syndicate (ie difference between an existing loan and joining in a process to create a loan). As we have already mentioned, the process of syndication requires negotiation which means some parties may have better preference over others in the same transaction. It is well known that each lender depending on their commitments will bear different risks to the same loan facility, say a lender who is willing to commit more money will get a better deal than smaller amounts. In contrast, a loan buyer simply has to accept the price offer or placed a lower bid and wait. There is no negotiation of the terms of loan so we submit that there is no particular benefit that could be found by modifying to offer to syndicate. Lastly, as this claim is dependent on Claim 1, therefore it incorporates all its elements which we submit viewed as a whole is not obvious to Herschkorn.

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As such the applicant respectfully submits that this claim is patentable over Herschkorn in view of what is known in the art.

Claim 7

This claim has previously been cancelled from our previous submission.

Claim 8

We respectfully traversed .

We submitted that Herschkorn made no suggestion where the commitments are aggregated to tally up to the loan facility amount. As mentioned, this is an unique feature found in loan syndication where no one single lender wish to carry the whole loan facility. As such the applicant respectfully submits that this claim is patentable over Herschkorn in view of what is known in the art.

Claim 9

We respectfully traversed .

This claim has been amended to include our loan management facility which is not found in a loan trading system. There is no reason for a loan trading system to include such a facility as such a system is normally for the syndicator and since Herschkorn has no teaching of loan syndication then logically this could not be found. While loan management facility is well known in the art, there is no teaching of same being incorporated into a loan syndication process as claimed in Claim 1 which this claim depends on.

As such the applicant respectfully submits that this claim is patentable over Herschkorn in view of what is known in the art.

Claim 10

This claim has already been previously canceled.

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Claim 11

This claim has already been previously canceled.

Claim 12

This claim has already been previously canceled.

Claim 13, 14, 15, 16,17,18,19.

The Applicant has decided to cancel Claims 13-19 and rewriting them as Claims 26,27,28,29,30,31,32 being of a different class dependent on claims 1, 2, 4, 5, 6, 8, 9 respectively.

We believe this to be permissible as stated in §608.01(n), Manual of Patent Examining Procedures, United States Patent and Trademark Office, page 600-80 (MPEP Rev 2, May 2004), distinctly pointing out " The fact that the independent and dependent claims are in different statutory classes does not, in itself, render the latter improper. Thus, if claim 1 recites a specific product, a claim for the method of making the product of claim 1 in a particular manner would be a proper dependent claim since it could not be infringed without infringing claim 1. Similarly, if claim 1 recites a method of making a product, a claim for a product made by the method of claim 1 could be a proper dependent claim. "

The decision to make this amendment is to ensure they are consistent without compromising on their merits. Further it may help to expedite this prosecution. Therefore, their rebuttals must follow the dependent claims as explained above.